


2012 REGULAR SESSION  
ACTUARIAL NOTE SB 16

<b>Senate Bill 16 SLS 12RS-89 Enrolled</b>  <b>Author: Senator Page Cortez Date: June 14, 2012</b>  <b>LLA Note SB 16.06</b>  <b>Organizations Affected:</b> <b>State and Statewide Retirement     Systems</b> <b>Louisiana State Employees’     Retirement System (LASERS)</b> <b>Harbor Police Retirement System</b>  <b>EN INCREASE FC SG EX</b>	<b>The Note was prepared by the Actuarial Services Department of the Office of the Legislative Auditor.</b>   <b>Paul T. Richmond, ASA, MAAA, EA</b> <b>Manager Actuarial Services</b>
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**Bill Header:** RETIREMENT SYSTEMS. Provides for education for trustees of certain public retirement system boards. (8/31/12)

**Cost Summary:**

Actuarial Cost/(Savings) to Retirement Systems and OGB	\$0
Total Five Year Fiscal Cost	
Expenditures	Increase
Revenues	\$0

**Estimated Actuarial Impact:**

The chart below shows the estimated increase/(decrease) in the actuarial value of benefits, if any, attributable to the proposed legislation. Note: it includes the present value cost of fiscal costs associated with benefit changes. It does **not** include present value costs associated with administration or other fiscal concerns.

<b>Actuarial Cost (Savings) to:</b>	<b><u>Increase (Decrease) in The Actuarial Present Value</u></b>
All Louisiana Public Retirement Systems	\$0
Other Post Retirement Benefits	\$0
Total	\$0

**Estimated Fiscal Impact:**

The chart below shows the estimated fiscal impact of the proposed legislation. This represents the effect on cash flows for government entities including the retirement systems and the Office of Group Benefits.

EXPENDITURES	2012-13	2013-14	2014-15	2015-16	2016-2017	5 Year Total
State General Fund	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Agy Self Generated	Increase	Increase	Increase	Increase	Increase	Increase
Stat Deds/Other	0	0	0	0	0	0
Federal Funds	0	0	0	0	0	0
Local Funds	0	0	0	0	0	0
Annual Total	Increase	Increase	Increase	Increase	Increase	Increase

REVENUES	2012-13	2013-14	2014-15	2015-16	2016-2017	5 Year Total
State General Fund	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Agy Self Generated	0	0	0	0	0	0
Stat Deds/Other	0	0	0	0	0	0
Federal Funds	0	0	0	0	0	0
Local Funds	0	0	0	0	0	0
Annual Total	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0

Note: All references to SB 16 in this actuarial note pertain to the enrolled version of SB 16.

**2012 REGULAR SESSION  
ACTUARIAL NOTE SB 16**

**Bill Information:**

**Current Law**

Each board member of the state, statewide and Harbor Police retirement systems must annually satisfy the following education requirements in order to continue to serve.

<b>Education and Training</b>	<b>Annual Hours Required</b>
Investment training	8 hours
Actuarial science information education	2 hours
Education regarding system laws, rules, and regulations	1 hour
Instruction on fiduciary duty and ethics	1 hour

A new board member must satisfy the following educational requirements before being permitted to vote.

<b>Education and Training</b>	<b>Annual Hours Required</b>
Investment training	1 hour
Actuarial science information education	1 hour
Education regarding system laws, rules, and regulations	1 hour
Instruction on fiduciary duty and ethics	1 hour

Current law provides for an Optional Retirement Plan (ORP) for certain state employees, hired on or before December 7, 2007, who would otherwise be eligible to become members of LASERS. Persons who elected to participate in the LASERS ORP prior to July 31, 2002 were allowed to regain membership in the defined benefit plan on an actuarially neutral cost basis.

**Proposed Law**

SB 16 changes the necessary education requirements to continue serving as a board member or designee to the following

<b>Education and Training</b>	<b>Annual Hours Required</b>
Investment training	8 hours
Actuarial science information education	4 hours
Education regarding system laws, rules, and regulations	2 hours
Instruction on fiduciary duty and ethics	2 hours

A new board member or his designee must satisfy the following educational requirements before being permitted to vote.

<b>Education and Training</b>	<b>Annual Hours Required</b>
Investment training	1 hour
Actuarial science information education	1 hour
Education regarding system laws, rules, and regulations	1 hour
Instruction on fiduciary duty and ethics	2 hours

SB 16 will allow any member who is a participant in the LASERS ORP to regain membership in the defined benefit plan. To exercise this election, the member must forfeit all funds in his ORP account to LASERS and pay any additional actuarial cost incurred by the retirement system in accordance with R.S. 11:158.

**Implications of the Proposed Changes**

The proposed law will require board members or their designees to be more knowledgeable about matters important to their service. The proposed law will allow members of LASERS ORP to regain membership in the defined benefit plan.

**Cost Analysis:**

**Analysis of Actuarial Costs**

**Retirement Systems**

There is no actuarial cost associated with this bill for retirement benefits.

1. Trustee education has an administrative cost, but no actuarial cost.
2. There is no actuarial cost associated with allowing ORP members to regain membership in the defined benefit plan. There are less than 50 members participating in ORP. To regain membership, an ORP member must forfeit his ORP account balance and pay any additional actuarial cost associated with regaining membership in the defined benefit plan.

2012 REGULAR SESSION  
ACTUARIAL NOTE SB 16

Other Post Retirement Benefits

There is no actuarial cost associated with SB 16 for post-retirement benefits other than pensions.

Analysis of Fiscal Costs

Some retirement systems have reported potential increases in administrative costs for per diems and training expenses (Agy Self-Generated expenditures).

Actuarial Credentials:

Paul T. Richmond is the Manager of Actuarial Services for the Louisiana Legislative Auditor. He is an Enrolled Actuary, a member of the American Academy of Actuaries, a member of the Society of Actuaries and has met the Qualification Standards of the American Academy of Actuaries necessary to render the actuarial opinion contained herein.

Dual Referral:

Senate

- ☐ 13.5.1  $\geq$  \$100,000 Annual Fiscal Cost
- ☐ 13.5.2  $\geq$  \$500,000 Annual Tax or Fee Change

House

- ☐ 6.8(F)(1)  $\geq$  \$500,000 Annual Fiscal Cost
- ☐ 6.8(G)  $\geq$  \$500,000 Annual Tax or Fee Change